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ABSTRACT

This report describes the substantial achievements of higher education in England in 2000-2001. There are still many challenges facing universities and colleges in England, but the policies they have adopted with the help of the Higher Education Funding Council for England (HEFCE) will enable them to build from a much stronger base than they had 4 years earlier. Britain is producing a higher proportion of graduates than other countries, and United Kingdom higher education has one of the lowest dropout rates in the world, along with one of the best graduate employment rates. One of the greatest challenges higher education in England still faces is to give all sections of the population the opportunity to benefit from higher education. The British government has set the target that 50% of people under 30 should benefit from higher education by 2010. The additional 1 billion British pounds that has been allocated for higher education over the next 3 years will provide much needed support for increasing access, improving quality, investing in infrastructure and staff, and strengthening links with businesses and the community. Throughout the year, the HEFCE has promoted high quality teaching by bringing together a range of initiatives and supporting the initiatives developed by universities and colleges. In addition to summarizing information about educational finance in higher education in England, this report reviews efforts to promote high standards of research, provide values for money, and encourage the transfer of knowledge and expertise among the partners in the higher educational enterprise. A chart summarizes progress toward key performance targets. (SLD)

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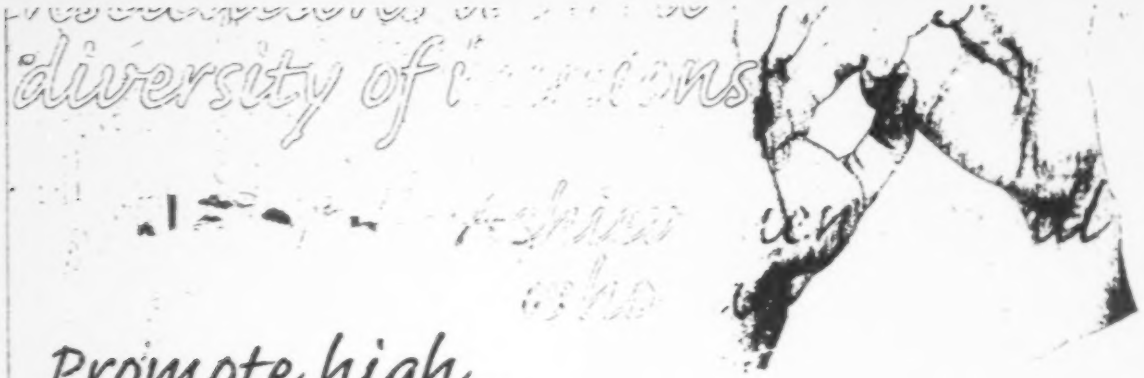
Annual report 2000-01



Promote high standards of research

Making connections

Encourage transfer

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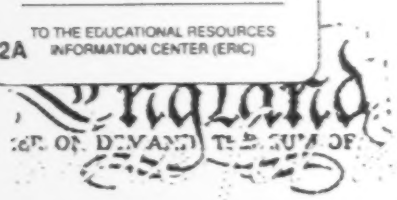

TWENTY

Pounds

Learning from international

HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND

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Chairman's introduction

This report describes the substantial achievements of higher education in England as the Government embarks on its second term. While there are still many challenges facing universities and colleges, the policies they have adopted with the help of the HEFCE and other partners will enable them to build from a much stronger base than four years ago.

The achievements are striking, but frequently overlooked. Britain is producing a higher proportion of graduates than other countries, according to the latest statistics from the Organisation for Economic Co-operation and Development (OECD). OECD figures show that UK higher education has one of the lowest drop-out rates in the world. And the UK has one of the best graduate employment rates in Europe, according to research carried out by the Centre for Higher Education Research and Information.

Our fundamental review of research showed that on many measures UK academics remain among the best in the world. Our guiding principles for funding research have helped to underpin this success. We will continue to allocate research funds selectively, by subject, on the basis of quality wherever it is to be found.

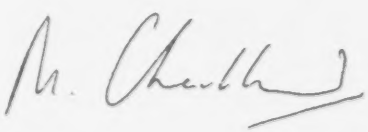
Universities and colleges have continued to adapt to meet many different social, economic and educational challenges. Distinctive roles, management systems and programmes have been developed in response to changing market needs and local, regional and national priorities. This report outlines the many collaborative partnerships that have emerged.

One of the greatest challenges we still face is to give all sections of the population the opportunity to benefit from higher education. With the Government we are committed to improving access for students from disadvantaged backgrounds. We now have a strategic approach and a range of funding initiatives to encourage the widest possible participation. Many universities and colleges have introduced innovative schemes and have forged links with schools and further education colleges to address this issue.

The Government's target that 50 per cent of people under 30 should benefit from higher education by 2010 is ambitious. We are taking a detailed look at supply and demand for higher education, which has revealed that the significant growth in demand from the traditional cohort of 18-year-olds with A-levels has flattened out. Many institutions are recognising that the key to meeting the government targets is through attracting new types of students, taking new types of qualification.

I am delighted that the Government has recognised the commitment shown by universities and colleges in meeting these challenges, and the crucial role they play in building a knowledge-based economy and an inclusive society. The additional £1 billion in funding for higher education over the next three years, announced last November, will provide much needed support for increasing access, improving quality, investing in infrastructure and staff, and strengthening links with business and the community.

As we shall argue in the next Spending Review, even more resources are needed, but it is against a background of progress made and challenges embraced that I hand over the reins to my successor David Young. The fact that so much has been achieved is a great tribute to the leadership and vision of Brian Fender, Chief Executive for the past six years, who steps down with me, as well as to the stewardship of the Board and the committed work of HEFCE staff.



Sir Michael Checkland

Making connections

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In this report we review our activities for 2000-01, in the light of our strategic aims, and describe plans to build on those activities in the future. Decisions made during the year have determined funding allocations to universities and colleges for 2001-02.

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Effective partnerships

Higher education in this country is being transformed through a growing network of productive partnerships. This annual report is a celebration of these creative relationships which enrich the higher education landscape. They are playing an essential part in enabling universities and colleges to meet the three main challenges of widening access to high quality teaching, maintaining world class research, and strengthening links with business and the community.

The HEFCE has a pivotal role as broker and facilitator to make sure that this complex network of partnerships works to the benefit of higher education, society and the economy. The Government has recognised the strong case for extra investment in higher education. Increased collaborative working ensures the available resources are used to optimum benefit.

We need to help ensure that knowledge, expertise and good practice are developed and shared, and policies are integrated, without reducing the rich diversity of provision offered by universities and colleges.

Providing wider access to high quality student learning experiences lies at the heart of our policies for learning and teaching. Increasingly, policies to improve teaching and to widen access are regarded as inter-dependent. Both strands are needed to attract students from increasingly varied backgrounds and to give them maximum challenge and opportunity for development.

Universities and colleges, supported by our policies and the Government's 'Excellence Challenge' initiative, are working hard to widen participation from lower socio-economic groups, but much more needs to be done. We face the problem of too few pupils being equipped to stay on in education post 16, and too low a proportion outside the main A-level cohort gaining the qualifications and motivation to progress into higher education. These barriers to entering higher education must be tackled if we are to promote social equity and national competitiveness.

We are collaborating closely with the Learning and Skills Council to address this problem, building on the work undertaken with its predecessor – the Further Education Funding Council. By forming more active partnerships between higher education institutions, further education colleges and schools, we are committed to raising the aspirations and achievements among children and adults and helping them to progress to higher education.

We have promoted high quality teaching by bringing together a range of initiatives. Universities and colleges have developed their own strategies for improving learning and teaching and widening participation, and we have published good practice guides so lessons can be learnt. The Learning and Teaching Support Network, set up in January 2000, provides subject-specific resources for teachers, case studies and a forum for sharing ideas. With our support, the Institute for Learning and Teaching is helping to raise the status of learning and teaching, particularly through the National Teaching Fellowship Scheme, which provides awards for individual academics.

World-class equipment and buildings are needed to conduct world-class research. We warmly welcome the £1 billion Science Research Investment Fund (SRIF) announced in the 2000 Spending Review. We are delighted to be acting together with the Office of Science and Technology, Department for Education and Skills, the Research Councils and the Wellcome Trust in developing the fund. SRIF is structured to encourage wide collaboration between higher education, business and charities to achieve the greatest possible benefit without imposing additional burdens on institutions. The first allocations from the fund were made in February, benefiting more than 100 universities and higher education colleges across England.

The exchange of knowledge between higher education and business is no

Strategic aim

Develop and sustain *effective partnerships* with institutions, employers and other funding and professional bodies, and others with a stake in higher education, by providing clear and open information and promoting collaboration between them.

longer an optional add-on: it is a fundamental part of higher education. This transformation has been recognised through the new Higher Education Innovation Fund (HEIF), which incorporates the Higher Education Reach-out to Business and the Community Fund. Again this initiative is a partnership between the funders – the Department of Trade and Industry and OST, the DfES and ourselves. HEIF is worth £140 million over three years and is a permanent third stream of funding which will enable universities and colleges to increase their capacity to respond to the needs of the community and of business. Closer links with employers and national training organisations are also bearing fruit through the development of two-year foundation degree courses which will be offered for the first time in 2001-02.

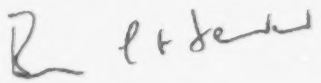
Many of these third stream activities are being driven by institutions' local and regional missions. Universities and colleges, working in partnership with Regional Development Agencies, are key players in the economic, cultural and educational regeneration of many areas. We have supported the development of these regional networks through the work of our regional consultants, funding for widening participation, and from our restructuring and collaboration fund. The set of nine HEFCE-sponsored reports recently published on the contribution of HE to the regions demonstrated the breadth and depth of regional commitment by HE institutions.

This report celebrates the achievements of universities and colleges. It is essential that red tape and bureaucracy should not obstruct further achievements. We initiated a study by PA Consulting which revealed that institutions bear unduly heavy costs from the accountability requirements imposed by different stakeholders. Now through collective action we are seeking to reduce burdensome requirements while safeguarding proper accountability for public funds.

We are, for example, working closely with the Quality Assurance Agency, Universities UK and SCOP to address institutions' single greatest concern about excessive accountability requirements. We have proposed new quality assurance arrangements, to promote quality in learning and teaching and provide useful public information, while reducing the burden on institutions. The key in all areas is to build effective accountability processes through open partnerships based on mutual understanding and trust.

Saving the most important to last, I want now to talk about people. In my many visits to universities and colleges I have been struck by the resourcefulness and commitment of staff and students. I should like to pay tribute to the work of all staff throughout higher education: they can take the credit for the achievements described in this report. I am delighted that their contribution has now been recognised by the provision of additional government funds which will go some way towards helping to recruit, reward, retain and develop staff. We are working with universities, colleges, representative bodies and trades unions to enable institutions to target resources within their own priority areas, working within an agreed framework.

Finally I should like to thank the Chairman, Michael Checkland, and before him, Brandon Gough, for their guidance and support over the past six years. I am also deeply indebted to my colleagues at the HEFCE for their dedication and hard work. They have demonstrated high standards of service and professionalism in all areas of Council business. Support for the development of an idea as challenging and innovative as the e-Universities project is just one example of their enterprise and resourcefulness. I am happy to hand over to my successor, Howard Newby, an organisation well equipped to meet the challenges that lie ahead.



Sir Brian Fender
Chief Executive

Enhance students' learning experiences

High quality learning and teaching, informed by scholarship and research, is at the heart of higher education in England. Maintaining and enhancing that quality in a mass higher education system holds many challenges. During the year we have continued to develop our policies and funding initiatives to help higher education institutions meet those challenges.

Two-thirds of HEFCE funding is allocated to support learning and teaching (£3,022 million in 2000-01, rising to £3,162 million in 2001-02). Our policies recognise that initiatives to improve learning and teaching and to widen participation in higher education are inter-dependent. High quality learning and teaching enhances students' experience of higher education and skills for employment. Offering that experience and those skills encourages students from a wide range of backgrounds to apply to university. In turn, providing appropriate support and high quality learning and teaching helps all students to succeed.

A strategic approach

With funding of £48.1 million over the three years 1999-2000 to 2001-02, from the institutional strand of our Teaching Quality Enhancement Fund (TQEF), universities and colleges have already developed strategic approaches to activities designed to improve learning and teaching. We have worked with them to identify and spread good practice and encourage 'joined up thinking'.

Building closer links

'Learning to work: working to learn' is one of a number of HEFCE-funded projects that aim to improve students' work-based learning, and forge closer links between academia and practice. This two year project is supported by the Fund for the Development of Teaching and Learning and is based at Kingston University in the Schools of Surveying, and of Architecture & Landscape. Here, project manager Paul Swann from Kingston (left) discusses with architect Clare Devine from Shepheard Epstein Hunter, and student Daniel Hunter, his experience of working in the practice.

Visits such as this by academic staff to workplaces – as well as focus groups, workshops and the development of new networks – are helping to provide a more consistent approach to teaching, learning and assessment, that will also improve students' employment skills.

Strategic aim

Promote high standards of education so as to advance knowledge and scholarship, encourage improvement, enterprise and innovation, and *enhance students' learning experiences* and employment prospects.

Much of this is done through our teams of experts from the sector. They include the National Co-ordination Team for the TQEF, based at the Centre for Higher Education Practice at the Open University; the Action on Access team; the Innovations Team which co-ordinates projects under the Innovations Fund, set up by the Department for Education and Skills and administered by the HEFCE; and the National Disability Team.

Our aim is that specialist teams of this sort work closely with the HEFCE regional teams. In taking forward a particular programme, we want it to be informed by an understanding of the wider institutional context and the realities of institutional management.

Joined up funding

The TQEF brings together existing HEFCE funding initiatives to support high quality provision: the Fund for the Development of Teaching and Learning (FDTL) and the Teaching and Learning Technology Programme (TLTP); see case studies.

Both form part of the subject strand of the TQEF, which also supports a UK-wide network of subject centres, the Learning and Teaching Support Network. The network was set up in January 2000, and consists of 24 subject centres and a centre dealing with generic issues. The centres have now developed as on-line resources for teachers, focused on their own subject – with reviews, updated bibliographies, case studies of good practice in teaching and assessment, reports of seminars and conferences, teaching materials, and a forum for sharing ideas and experiences.

The third strand of the TQEF is the National Teaching Fellowship Scheme, administered by the Institute for Learning and Teaching (ILT). In the second year of the scheme in 2001, grants of £50,000 each were awarded to 20 academics from institutions across the UK. The awards will enable them to undertake projects to improve learning and teaching in their subjects, and help raise the status of teachers.

We are continuing to support the work of the ILT in offering accredited programmes of training for teachers in universities and colleges, as well as activities to develop and maintain professional standards of practice.

Provision in further education colleges

Further education colleges offering higher education courses that we fund directly are not eligible for grants from the TQEF, so in May 2000 we announced funding of £9.4 million spread over three years to support those colleges in developing their higher education provision. We allocated £8.4 million to the 134 colleges with at least 100 full-time equivalent students on higher education courses. A further £1 million has been set aside to fund applications from consortia of colleges, and to support collaborative development work.

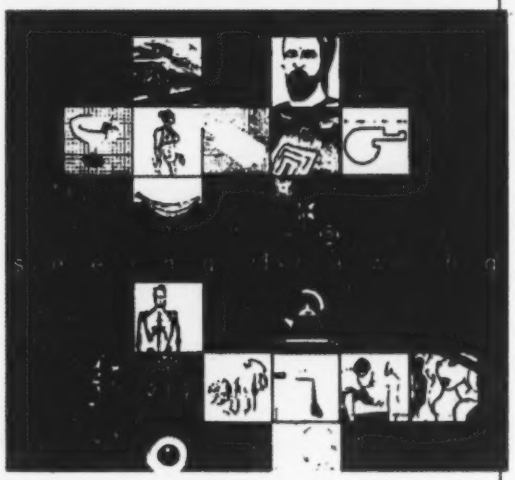
Exploiting new technology

One of the biggest changes for academics in recent years has been the growth in new technology for learning and teaching as well as research. In response we have worked in partnership on the e-Universities project, to develop globally competitive providers of internet-based higher education to the UK and overseas.

The initial design of the project was taken forward under the guidance of a steering group drawn from experts within and outside the HE sector. During the year we established a business model for the project, following consultation with HEIs. It consists of a holding company owned by the HE sector, and an operating company – a joint venture between the holding company and the private sector. An invitation to potential private sector partners produced 91 responses; negotiations are now under way to identify the final partners.

Drawing out the lessons

'Seeingdrawing' is an interactive multi-media DVD that explores the art of drawing, and promotes new approaches made possible by digital technology, such as three-dimensional modelling. It aims to develop this key skill in art and design students, particularly at foundation or first year level, and can be used for independent learning or as a teaching aid. Video clips show different approaches to drawing and design used by practitioners in graphics, fashion, architecture, product design, advertising and fine art.



The software is the result of a three year project funded by the HEFCE's Teaching and Learning Technology Programme. It was led by the London Institute, with partners at Falmouth College of Art, Ravensbourne College of Design and Communication, and the University of Ulster, with support from the University of Brighton.

Within the operating company there will be a committee for academic quality to ensure that all e-Universities programmes match the quality and standards expected of the best of UK higher education.

In November 2000 the Government committed £62 million over three years to develop the project, and in March 2001 it announced the directors for the holding company and the committee for academic quality. Work is under way to develop the first pilot e-learning programmes for the launch of 'UK e-Universities Worldwide' in 2002.

Research and evaluation

Research to extend knowledge, and evaluation to learn from experience, are key elements of all aspects of higher education, including learning and teaching itself. Recognising this, we fund the UK-wide Teaching and Learning Research Programme run by the Economic and Social Research Council (ESRC). In February 2001 we announced a further £10.5 million to support a third phase of the programme, with a focus on further and higher education and lifelong learning.

The programme features strong partnerships between researchers and practitioners. The aim is to make the research findings accessible and relevant to teachers, who can use them to improve the achievements of learners.

We evaluate our own initiatives and funding methods to ensure that they are achieving their intended outcomes. In 2000-01, for example, we reviewed our project funding for students with disabilities, and our mainstream funding for specialist institutions, which have informed decisions on future initiatives (see pages 8 and 14).

Quality assurance

We are responsible for ensuring that the quality of the programmes we fund is assessed. We have a contract with the Quality Assurance Agency for Higher Education (QAA) to undertake assessments on our behalf. During the year, there has been intensive debate about the quality assurance method which should follow on after we have completed the current comprehensive programme of external quality review at subject level.

There is a balance to be struck between meeting the needs of stakeholders – students, employers and the wider public – and not imposing an unnecessary burden on HEIs. We have worked with the QAA and the organisations representing universities and colleges to develop a new framework for quality assurance that builds on HEIs' own internal processes, and provides clear information and points of reference. This framework includes subject benchmarks setting out the standards of achievement and attributes of graduates in a given subject; consistent definitions of qualifications; and detailed specifications for courses, so that students can make more informed choices.

In July 2001 we published, for consultation, proposals which would place the emphasis on reviewing whether each HEI has in place robust and effective systems of internal quality assurance. If it has, we see no need to perpetuate a comprehensive programme of subject review. Instead, there should be highly selective follow-up of any areas of concern.

A head-start for employment

The Career Focus project is developing and delivering specialised training to prepare Black and Asian students for the world of work. Performance indicators published by the HEFCE show that graduates from ethnic minorities are less likely than their white counterparts to be employed six months after graduation.

This HEFCE-funded project is a partnership between a charitable foundation, The Windsor Fellowship, and a private company, Amos Recruitment and Training Ltd. Along with a similar project based at De Montfort University, it will be overseen by the Innovations Team. Activities include conferences, open evenings exploring routes to particular careers, and intensive workshops where students can practise their skills in interviews, communication and team work, and receive constructive feedback. Pictured are delegates at an event organised by the Windsor Fellowship.

Achievement for all who can benefit

The objective of encouraging people from a wide range of backgrounds to enter higher education, and helping them to succeed, received a boost from the Government's Excellence Challenge Programme. An extra £150 million over three years was announced in September 2000, and increased to £190 million in February 2001.

Our proposals for allocating the extra funds, and our strategy for widening participation, build on our existing policies and funding initiatives. They are designed to help universities and colleges to meet the Government's target that 'by 2010, 50 per cent of young people should have the opportunity to benefit from HE by the time they are 30'.

Our policies aim:

- to encourage institutions to widen participation by under-represented groups
- to raise the aspirations of all to attend the institution that best matches their abilities, interests and needs
- to ensure that all students have the best possible chance of succeeding
- to enable people to acquire the skills they need for employment throughout their lives.

Strategic aim

Encourage institutions to increase access, secure equal opportunities, support lifelong learning, and maximise *achievement for all who can benefit* from higher education.

Peer support scheme

Alex Linsley and Paul Grange from Aston University are just two of the students who have benefited from the Personal Assistance Scheme Project funded by the HEFCE and originally set up by the University of Central England (UCE). The university provides training and accreditation for support workers assisting disabled students with, for example, communicating, note-taking, and access to lectures.

Aston formed a partnership with the University of Birmingham and UCE to set up a scheme based on the UCE model. Paul has a severe physical disability and needs assistance to undertake his studies. Alex, a gap-year graduate, has worked with Paul almost full-time since starting. With Paul's support, Alex has completed her profile of work for accreditation. With Alex's support, Paul has successfully completed the first year of his degree course.

HEFCE funds for improving access will be allocated in three main ways: through our mainstream funding for teaching, for specific projects, and to support individual students. Mainstream funding includes:

- a premium based on the numbers of students from areas where participation in HE is lower than average (the postcode premium). This helps HEIs to recruit and support people from such areas
- a premium for mature and part-time students
- a new 'aspiration' funding stream. This will enable HEIs with fewer than 80 per cent of their students from state schools to do more to encourage applications from such students.

Each year we allocate additional funded places, with the aim of widening access, improving

employability and providing vocational programmes below degree level. For 2001-02 we awarded nearly 17,000 new places, over half for foundation and sub-degree courses.

Project funding supports:

- regional partnerships between HEIs, further education colleges, schools and the community – mainly to help students from disadvantaged backgrounds to progress to HE (see case study)
- a programme of one-week summer schools, giving able 16-year-olds in deprived areas the chance to sample higher education. This is part of the Government's Excellence Challenge initiative.

We are introducing a new higher education qualification, the foundation degree. This two year intermediate-level course is aimed at a wide range of students, who can study full or part-time or through distance learning. It is geared to meeting the needs of employers by developing the skills and knowledge needed for a particular sector or occupation. Programmes will be developed by partnerships of employers, FE colleges and HEIs, and will include a work-based element. Students will have the option of proceeding to a full honours degree. We allocated £5 million to introduce more than 70 foundation degree programmes in 2001-02.

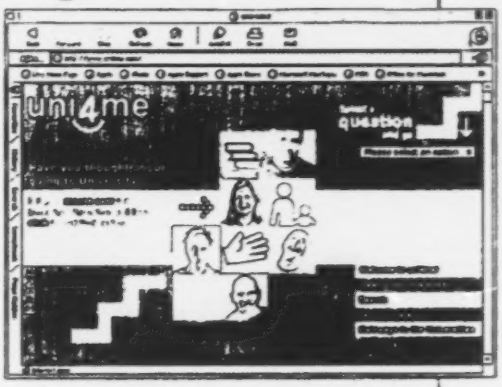
We distribute government funding to support individual students through their university or college. It includes: Hardship and Bursary Funds; funds to allow HEIs to waive tuition fees; and the new Opportunity Bursaries of £2,000 for each eligible student over three years. This pilot project, in Excellence in Cities areas and Education Action Zones, aims to test whether financial support targeted in this way will encourage greater participation.

Institutions have different priorities for widening participation, but they also share common concerns and challenges. We have therefore encouraged them to develop their own strategies, including action plans and targets, and to share good practice.

To facilitate this we set up an Action on Access team, whose activities included supporting the 77 existing HEFCE-funded widening participation projects, preparing good practice guidance, and providing a forum for staff in universities and colleges to exchange ideas and experience.

Pathways to progression

A project jointly funded by the HEFCE and the Learning and Skills Council aims to encourage applications from students in the North-West with no family experience of higher education, and who may not have the confidence to approach a university or an adviser.



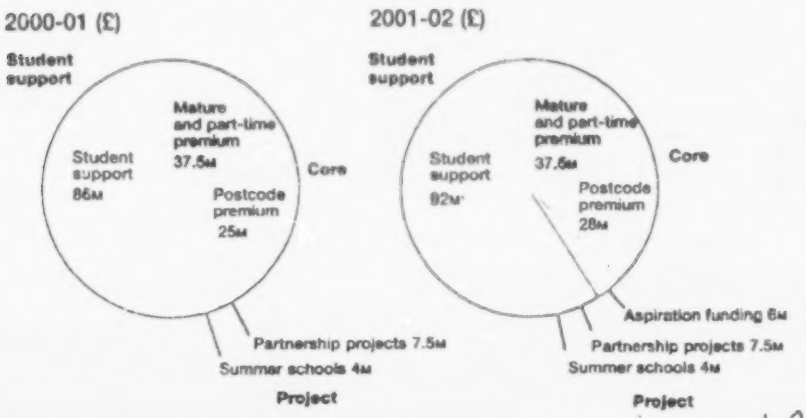
The first output is a web-site, uni4me.com, managed by the Open University in the North-West on behalf of the Greater Manchester Widening Participation Partnership, which also includes Manchester Metropolitan, Manchester and Salford Universities, UMIST, Bolton Institute, and representatives of further education colleges. Prospective students can find the answers to frequently asked questions, plus explanations of jargon, and links to the partner institutions. The site is increasingly used by schools, colleges and community centres, and has the potential to be taken up by other regions.

Disabled students

The Council's National Disability Team adopts a similar role in providing advice and sharing good practice for the 48 disability-related projects we fund, at a cost of £6 million over three years (see case study).

Through its web-site HEIs have been able to keep up with developments, in particular the legislation which extends the Disability Discrimination Act to higher education. HEIs now have a legal responsibility not to treat disabled students less favourably than non-disabled students; and to make reasonable adjustments to ensure that they have access to HE. We are allocating capital funds of £56 million to help universities and colleges meet the costs of the changes required. Funds will be on top of the mainstream disability funding of £7 million in 2000-01 (£8 million in 2001-02).

Funds for widening participation 2000-01 and 2001-02



* Includes £6 million maximum funding for Opportunity Bursaries only.

Promote high standards of research

We promote excellence in research by funding according to research quality. In 2000 we undertook a major review of research funding, and consulted HEIs and other research-related organisations on our policies. As shown by responses to the consultation, our policy and funding arrangements for research are widely supported.

HEFCE funding is a vital part of the 'dual support' system for research. It underpins the research capability in universities and colleges, and forms the foundation for project work funded by partner organisations such as the Research Councils. We allocate funds selectively to institutions as a block grant, based on the quality and amount of research carried out. Quality is judged by a periodic Research Assessment Exercise (RAE), which awards ratings on a seven-point scale.

For 2001-02 we allocated core funding of £888 million for research, of which £868 million (98 per cent) was related to RAE ratings, and £20 million supported projects with users of research (generic research or GR funding). A further £18 million of special funding was allocated to encourage collaboration between institutions, which develops the research potential of those that receive relatively little research funding.

Support for assessment system

Issues addressed in the review of research included the degree of selectivity in research funding, and whether the amounts should be determined by research quality ratings in the RAE. The responses to the consultation, and evidence from the review, confirmed that the RAE process, and research assessment and funding, should remain broadly as they are at the moment.

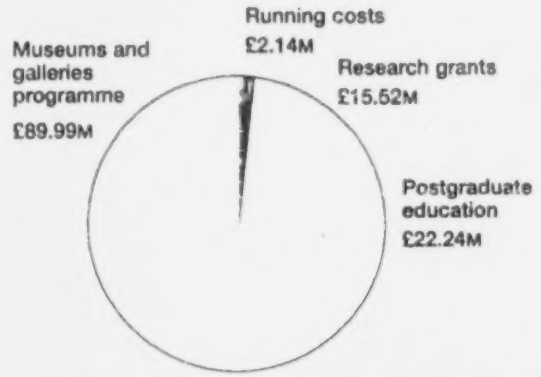
There was also strong agreement that GR funding should be discontinued because it lacks the size and focus needed to encourage institutions to work collaboratively with industry. In the light of this response, and the introduction of third stream funding to support collaborative activities (see page 12), we decided to end this funding after 2001-02.

The review looked at issues affecting research staff and students. Respondents supported proposals for improving the training of research

Over the last year, the Arts and Humanities Research Board (AHRB) has developed its range of schemes, and the infrastructure to administer them. Plans were agreed to incorporate the AHRB as a company limited by guarantee, and from 2001 it will be able to employ its own staff and run its own accounts, separately from the HEFCE. New staff were employed to implement these plans, bringing the total to 41. All staff will be moving to one new location in Bristol.

Competition remained intense for existing schemes, including research grants, exchanges, research leave, fellowships, and small grants. A first group of 10 AHRB Research Centres was announced, with grants totalling £8 million over five years. The first resource enhancement awards supported 32 projects designed to improve access to research materials of major importance to the arts and humanities. Bids were invited for funds to support the core stewardship costs of university museums and galleries.

AHRB grant payments and running costs 2000-01



A · H · R · B
arts and humanities research board

students; and welcomed the focus on equal opportunities for research staff. We are looking at the reasons behind the under-representation of women in top-rated departments, and whether other groups are not realising their full research potential.

Improving assessment

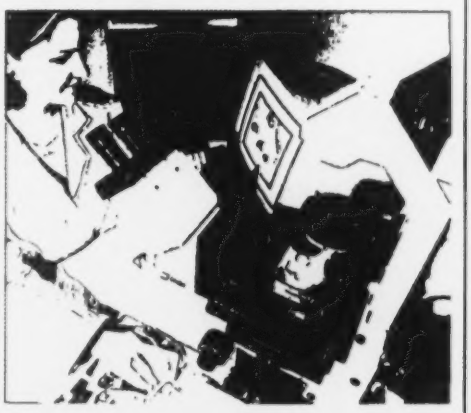
The RAE values all research equally: industrial and commercially relevant research are assessed on the same basis as traditional academic study. The judgements are made by 60 panels of experts in their fields. In RAE 2001, 75 per cent of those panels involved representatives from industry, commerce and other users of research. They considered all research outputs, including new designs, products and patents, as well as published papers. For the first time, confidential and commercially sensitive work was allowed to be submitted, with the permission of the sponsoring organisation.

Over 2,500 submissions were made to the latest RAE, representing the work of more than 50,000 academic staff from 173 universities and higher education colleges across the UK. The results will be published in December 2001.

The UK funding bodies improved the RAE process in 2001 over the 1996 exercise. Due to the strong support for more recognition in the RAE that 'excellence' means different things for different subjects, two new measures were built into the 2001 exercise to help panels set and apply grading standards in a coherent way:

- all panels consulted non-UK based experts in their field, to ensure they set and apply the standard of international excellence appropriately
- umbrella groups of panel chairs met to discuss grading, to ensure coherence across subject areas and in interdisciplinary research areas.

At the cutting edge



The £6 million Institute of Pharmaceutical Sciences at the University of Nottingham is a prime example of the partnership between private and public funding. The institute was part-funded through a grant of £2.1 million in the first round of the Joint Infrastructure Fund, and received financial support from The Boots Company plc, Glaxo Wellcome plc and Astra Charnwood.

The institute's activities include the whole spectrum of biomedical research from drug design at the bench through to evaluation in the clinic. Research areas include new drugs to fight cancer, new delivery systems for gene therapy, and generation of organs through tissue engineering. Pictured is a member of the Tissue Engineering Group carrying out cell imaging at the institute.

New investment in research infrastructure

The Science Research Investment Fund (SRIF) was launched in February 2001, as a joint initiative between the HEFCE, the DTI, the DfES and the Wellcome Trust. Under SRIF we have distributed £600 million to English higher education institutions to improve and invest in science infrastructure. SRIF aims to:

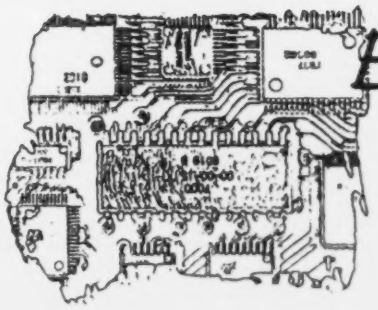
- enable high-quality research
- promote collaborative partnerships
- invest in the science infrastructure of higher education
- develop and enhance capability in emerging areas of scientific research.

The fund replaces two earlier funding initiatives: the Joint Infrastructure Fund (JIF), which had its final round approved in May 2001, and the Joint Research Equipment Initiative (JREI), which will in future be funded by the Research Councils. Unlike JIF and JREI, SRIF funds are allocated by formula, which enables institutions to invest in projects with the greatest returns and is more efficient than a competitive bidding process. Funds are supporting over 300 projects in 101 HEIs, including new building and refurbishment work; and new research equipment.

An essential support to the UK's education and research community is its IT infrastructure, the Joint Academic Network (JANET), funded by the HEFCE and the other UK funding bodies through the Joint Information Systems Committee. The latest upgrade to the network, in April 2001, increased the bandwidth from 155 Mbps to 2.5 Gbps – making it 16 times faster.

Strategic aim

Promote high standards of research so as to advance knowledge and scholarship and encourage improvement, enterprise and innovation.



Encourage transfer of knowledge and expertise

Universities and colleges are increasingly developing links with business and the wider community, in ways that will benefit all concerned. Our third stream of funding, alongside our support for teaching and research, helps realise those benefits.

The amount of funding available is growing. The Higher Education Innovation Fund (HEIF) was introduced in 2001, and will provide an extra £80 million over three years. HEIF, jointly funded by the OST and HEFCE, will help HEIs to implement their strategic aims in contributing to economic growth and competitiveness regionally and nationally, as well as improving the employability of their students.

HEIF incorporates and builds on the Higher Education Reach-out to Business and the Community (HEROBC) fund set up in June 1999.

In the second round of HEROBC funding we awarded £22 million to 50 projects, all of which have the goal of leading to wealth creation. By March 2001 over 95 per cent of HEIs had developed a strategy for working with business and the wider community.

In terms of timing of bidding and awards, HEIF sits alongside other strands of government funding: University Challenge, the Science Enterprise Challenge, and the Public Sector Research Exploitation Fund. This allows institutions to make a strategic choice about which funding programme fits their needs, and streamlines the processes.

Personal links

To recognise the key role played by individual academic staff in promoting knowledge transfer and closer working with business, a new element of third-stream funding has been set up.

Business Fellowships will be awarded by the HEFCE and part-funded by the Department of Trade and Industry. In 2001 we awarded 11 Business Fellowships to academics, providing £25,000 per Fellowship per year. The initiative is intended to improve dialogue between individual academics and businesses, and to enable institutions to bolster existing and new business and community projects.

Improving employability

During the year we have developed initiatives to encourage HEIs to enhance the relevance of programmes of teaching and research to the needs of employers and the economy. Progress has been made in developing performance indicators for employment (see page 16), and in introducing the new foundation degree qualification (see page 9) and new-style PhDs.

Productive links

The University of Exeter's Innovation Centre opened in June 2000 to provide a 'front door' to the university's services and facilities for business. Part of Exeter's £1.1 million HEROBC grant was used to set up and staff the centre. It now houses a diversity of R&D businesses, which operate in areas such as biotechnology, software, advanced engineering and the internet.

Pictured is a software engineer from Mantracourt, a local manufacturer of electronic equipment, which took a unit at the centre to build on its existing links with the university. One recent joint project involves Exeter Advanced Technologies, the university's support centre for the engineering sector, which is working with Mantracourt on instrumentation to monitor conditions inside a plastic injection moulding machine.

The new type of PhD was launched in April 2001 with support from our Restructuring and Collaboration Fund, in response to the changes in knowledge and skills demanded of PhD graduates in a worldwide market. The programmes combine a specific research project with coursework and development in professional skills such as specialist IT, business methods, or technology transfer. In 2001-02, 41 new-style PhD courses will start at 10 HEIs, targeted at the most able students in subjects ranging from textiles to aircraft design.

Participating in the wider community

As part of the Government's Active Community initiative, set up to help achieve a step increase in volunteering activity, we are establishing a new fund to boost involvement of students and HE staff in community activities. Through the Higher Education Active Community Fund we propose to award £27 million to English higher education institutions, subject to their submission of appropriate plans to create new opportunities for volunteering by students and staff. Funding will run for three years from September 2001.

Increasing medical student numbers

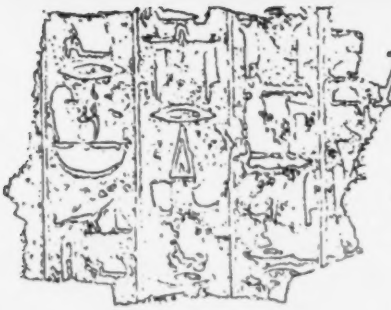
To meet a national need for more doctors in the NHS, one of the country's biggest employers, we have been working with the Department of Health to increase the number of entrants to new and existing medical schools by over 1,000 each year. Under the most recent round of allocations, three new medical schools will be established as collaborations between the Universities of Hull and York, Brighton and Sussex, and Keele and Manchester. It is intended that the annual intake to medical schools in England will have reached nearly 6,000 by 2006, an increase of around 50 per cent since 1996.

Specialist skills

Students at Ravensbourne College of Design and Communication put their production skills to use in a live TV show transmitted by Ravensbourne on Air. Developing both the specialist and business skills demanded by employers is the remit of a new unit set up by the college with the University of Sussex. A grant of £556,000 over four years was awarded to Ravensbourne, as lead institution for the project, under the HEROBC fund. The unit will identify skills shortages in the creative industries and develop learning packages to meet them, focusing on employment in web-site design, digital TV production, telecommunications, advertising, and art and design. Students also study marketing and promotion, intellectual property rights, legal responsibilities of the self-employed, and small business management.

Strategic aim

Promote and support productive interaction between HE and business and the community in order to *encourage the transfer of knowledge and expertise*, and enhance the relevance of programmes of teaching and research to the needs of employers and the economy.



Institutions with a diversity of missions

Universities and colleges in England are very diverse – in terms of size, mission, subject mix and history. They range in size from Manchester Metropolitan University (with some 30,000 students) and the Open University (with over 150,000 students), to small specialist colleges with as few as 140 students, such as the Northern School of Contemporary Dance. All are self-governing and independent.

Our policy is to sustain and promote that diversity, because it enables the higher education sector to meet the needs and aspirations of the individuals and organisations it serves: students, employers, purchasers of HE services, and the wider community. Those needs and aspirations are becoming increasingly varied as the student population itself becomes more diverse, and with the growing emphasis on higher education's contribution to the economic, social and cultural development of the nation.

Unique courses

Leather technology at University College Northampton is one of 34 programmes at 18 institutions that receive additional HEFCE funding for minority subjects. They are all subjects that require specialist staff and do not enrol enough students nationally to make them viable under our normal funding formula.

Northampton is the only centre in the world offering courses in leather technology in English, at all levels up to PhD. Demand for graduates exceeds supply, from employers in leather and other materials production industries, particularly in Asia and the Far East. Pictured, from the inside of a milling drum, are students Soon Heok Chua (left), from Singapore, and Cecilia Mashio from Tanzania.

Strategic aim

Maintain and encourage the development of a wide variety of *institutions with a diversity of missions* that build upon their local, regional, national and international strengths and are responsive to change, within a financially healthy sector.

However, we recognise that there is a balance to be struck between diversity and consistency in, for example, the quality and standards of HE programmes, the levels of funding for teaching, and the standards of accountability.

In August 2000, we published a policy statement on diversity in higher education. The statement was received positively by the HE sector, confirming the view that sustaining and promoting diversity is desirable. Our processes for doing so appear to be working well, but their effectiveness and fitness for purpose, both individually and in aggregate, need to be kept under review.

Promoting diversity

The majority of our funding is distributed as a 'block grant' that institutions can allocate as they choose, as long as they meet their funding contract with us. This gives them a great deal of flexibility to pursue their own missions and set their own priorities. Where appropriate, we take a similar approach in distributing project funds. We set broad criteria for the fund, but within that institutions develop their own strategies and set their own targets.

In addition we have mechanisms to support diversity both within and between institutions. These include:

- extra funding for certain types of students, to recognise the costs of providing for students that are mature, part-time, disabled or from disadvantaged backgrounds
- premiums for certain types of institution – including small institutions, where central costs are often relatively high, and those with old and historic buildings that are expensive to maintain
- funding for minority subjects, mostly languages such as Korean and Hindi, but also horology and leather technology (see case study).

In November 2000 we published the results of a detailed review of additional funding for 16 specialist institutions, focusing on those teaching music, and art and design (see case study). This sets out the extra funding for such institutions, and the principles underpinning it, in line with the principles of our overall funding method for teaching.

Responding to change

As the demands of stakeholders change, institutions need to adapt. This might involve introducing new courses to meet local and regional demand for specific skills, expanding a faculty or campus, or working together with other higher education institutions to rationalise provision. We are supporting such projects through our Restructuring and Collaboration Fund (R&CF). In the 2000-01 academic year we approved 50 projects, bringing the total grant commitments to £34 million up to 2004-05.

One example is the Combined Universities in Cornwall, an initiative by the Universities of Exeter and Plymouth, Falmouth College of Arts and local further education colleges. With the help of R&CF funding, it will link new higher education provision at a regional hub with a programme of expansion at centres around the county.

A unique institution

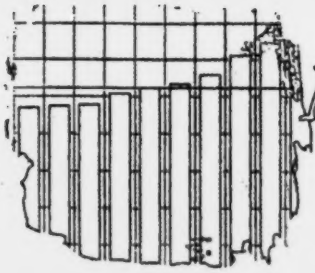
Product design students Nick Jinkinson and Nick Paterson at the Royal College of Art follow in impressive footsteps: past RCA graduates include James Dyson, Zandra Rhodes and David Hockney. The RCA is the only wholly postgraduate college of art, design and communications in the world, preparing students for careers in areas such as architecture, graphics, and fashion, product and vehicle design, as well as fine art. Around 800 students are taught by 100 full-time and visiting staff, all of whom are leading practitioners and scholars in their fields. Following a review, we established criteria for awarding a special institutional funding premium to the RCA, to recognise the high costs of the specialist teaching and facilities required.

The role of further education colleges

The growth of higher education courses in further education colleges has made a significant contribution to diversity. We directly fund courses in 202 FE colleges, focusing on part-time, locally accessible, sub-degree provision. In addition, around 250 colleges receive funding indirectly through franchises with higher education institutions, or through consortia arrangements. Consortia generally consist of a cluster of further education colleges and a higher education institution, with funding administered through a lead partner. Four consortia comprising 30 institutions were funded in 2000-01.

Newcomers

We welcome two institutions that joined the HEFCE sector in 2001: the Royal Agricultural College, which was previously outside the publicly funded sector, and the Arts Institute at Bournemouth from the further education sector. The Conservatoire for Dance and Drama was also established in 2001 to offer high quality education and vocational training in dance and drama. The London Contemporary Dance School and the Royal Academy of Dramatic Art (RADA) are the first members of the conservatoire, which is expected to develop over the next few years to include other institutions.



Increase knowledge and understanding

Stakeholders with an interest in higher education policies and funding include individual students, academics, researchers, professional bodies, employers, other public and private sector funders, and the Government. We have a key role as a national body to provide information and advice to those stakeholders, contributing to debate and policy development and spreading good practice. That information is based on sound evidence, gathered through consultation and research.

Our advice ranges from broad policy issues to specific activities and processes. For example, we submitted evidence to the House of Commons Sub-committee on Education about students that do not complete their courses; and provided confidential advice to the Secretary of State for Education to inform decisions made in the Spending Review. At the other end of the spectrum, we published guides for the general reader on, for example, the purpose and format of the Research Assessment Exercise; and collaborated with the Committee of University Chairmen to update its guide for members of governing bodies in universities and colleges.

Benchmarking to improve

In October 2000 we published the second set of performance indicators, covering all publicly funded higher education institutions in the UK. The indicators provide consistent and reliable measures of performance for each institution on, for example, the proportion of students from various under-represented groups, the non-continuation rate after the first year, and the numbers of students projected to qualify.

The indicators include benchmarks and context statistics to help institutions compare their own performance with that of similar universities and colleges. Our analysis of institutions' widening participation strategies shows that some are already using this information to improve, for example by offering better support to students to encourage them to complete their courses.

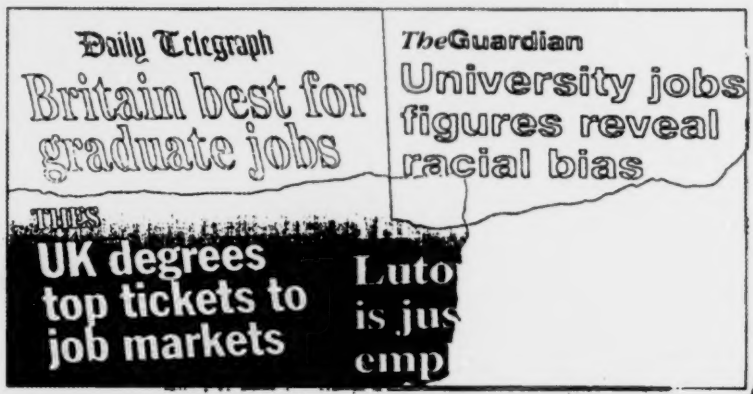
In 2001 we added a new set of indicators, for the employment of graduates six months after leaving higher education. These show that unemployment rates for graduates are low, at only 6 per cent, but that there are variations between institutions, between subjects and between different ethnic groups. The results will help institutions to focus their efforts to improve the employability of students, and help students to make informed choices about where to study.

Adding to the regional picture

For many stakeholders, particularly employers and Regional Development Agencies, their interest in higher education is focused at regional or local level. In 2001 we published the third edition of Regional profiles, which gives up-to-date comparative data for the nine government regions, covering all higher education institutions and their students.

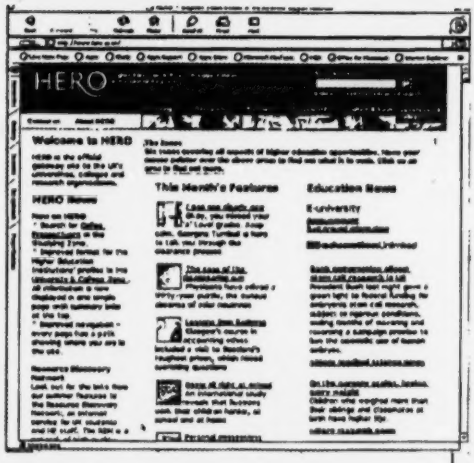
We also funded a major research project in collaboration with Universities UK to review the contribution that

Contributing to public debate



Education – its funding, standards and outcomes – is high on the public agenda, and often a topic of heated debate. We aim to contribute to that debate by providing information based on sound evidence, in an open and accessible way. One outlet for this information is the press: these headlines relate to the performance indicators for employment which we published for the first time in 2001.

Achievements and opportunities



The HERO web-site – Higher Education & Research Opportunities – went live in December 2000 at www.hero.ac.uk. The HEFCE is one of 16 organisations that have collaborated to create the site, which is operated and maintained by a private sector company.

HERO provides free access to the wealth of information on UK higher education. It is organised in zones so that potential and current students, researchers, employers and staff in higher education can easily find the information that is most relevant to them. (The site now has 35-40,000 users per month.) There are details of cultural and sporting events, and links to all universities and colleges in the UK. Institutions thus have a unique opportunity to reach potential students and commercial partners, and to publicise the achievements and opportunities of UK higher education.

higher education makes to the economic, social and cultural life of each region. The outputs – nine regional reports and a national overview report – will enable universities and colleges and others to assess their regional activities in context, inform decisions on whether and how to extend those activities, and provide examples of good practice.

Strategic aims

To advise Government and other stakeholders on higher education's needs and aspirations, and help make widely known the *achievements and opportunities* offered by higher education, particularly to students.

To use consultation, research and benchmarking to *increase knowledge and understanding* of higher education, and inform policy development.

Research to develop policy and practice

The regional reports are just one of many research and consultation exercises commissioned during the year. A complete list of past and current research and development projects is on our web-site under 'Research'.

Projects have focused on identifying and disseminating good practice. For example, we supported the London higher education consortium in undertaking a study of the provision of engineering courses in the London area, which will help institutions to address the problems of falling recruitment. Similarly, a review of the research-related links between charities and universities and colleges will identify how those links can be developed to benefit both partners.

Currently in progress is a comprehensive review of the relationship between demand for higher education and the supply of places. We are looking at the factors that influenced the rapid growth in demand in the late '80s and early '90s, and more recent changes which have led to a slowdown since 1993-94, as well as differences in recruitment between institutions. The findings will inform decisions about our funding mechanisms, and our strategies for meeting the Government's target for increasing participation in HE.

Channels of communication

In all areas of our work, we are keen to be open and transparent, and to communicate the outcomes effectively. As a matter of course, we consult universities, colleges and other stakeholders on the criteria and allocation process for any new funding initiatives.

Increasingly the Council itself and the projects we fund are providing information through the web, but supported by printed publications and direct contact in workshops, seminars and conferences.

Our electronic mailing list, admin-hefce, now has over 2,500 members, and we have set up a mailing list for press and public relations staff in universities and colleges to keep them up to date with developments. The HERO portal site for information on higher education went live in December 2000 (see case study).

We also recognise the importance of face to face contact in forging good relationships and stimulating debate. Our annual conference for heads of institution, and the annual meeting (open to all but aimed principally at chairs of governing bodies), were again well received. HEFCE regional consultants have regular contact with regional bodies and universities and colleges in their regions. In addition, seminars and workshops for universities and colleges during the year have covered, for example: the links between strategic planning, teaching and widening participation; the recommendations on transparent costing and pricing; and our funding and data collection methods.

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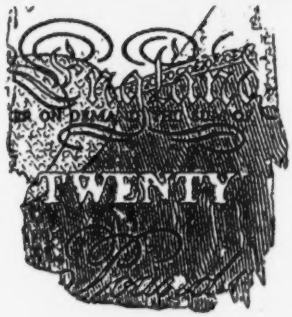


Value for money

Total income for universities and colleges in England is around £10.5 billion per year. As the biggest single source of funding for institutions, we have a role to ensure that public money is spent properly and to encourage the sector to share and adopt good practice. This good practice is developed and disseminated in collaboration with sector bodies.

Our Audit Service carries out routine reviews of every institution we fund every three years to help us obtain the assurance we need over the use of public funds. In doing this, we aim to work closely with the institutions' own management and audit staff, providing a service that complements their own activities. Now that we are approaching the end of the third three-year cycle of audit visits, we are reviewing our approach to audit, and our capital funding processes, to assess their effectiveness and reduce demand on institutions. Both reviews are overseen by steering groups with representatives from the higher education sector.

Effective accountability with fewer demands

Last year we reviewed the demands made on institutions by the various stakeholders in ensuring that public money is properly spent. It is estimated that complying with these demands costs around £250 million annually. In 2000-01 we have started to tackle this burden.

Working with a wide range of stakeholders, we have set up a Higher Education Forum which has established core principles to guide projects aimed at reducing the burden of accountability. The principles are that:

- effective accountability relationships should establish and build on 'shared ground', where the processes and information required for sound institutional management and governance serve equally to assure the interests of external stakeholders
- funding relationships should seek to build long-term 'investment partnerships', within which stakeholders and institutions can work together to realise public policy objectives through diverse institutional strategies
- where possible, funders should seek to rely on institutions' own systems to provide the level of assurance they require.

Steps have already been taken to simplify and reduce monitoring arrangements for funding; to develop a much 'lighter touch' in assessing the quality of teaching; and to share data more efficiently.

Support for better management and decision making

Much of our work focuses on developing and supporting the implementation of good practice in a variety of areas. Moves to improve corporate governance, including risk management and internal controls, have been a feature of the last decade. We have drawn good practice from the private and public sectors to produce guidance on risk management specifically for higher education.

Powerful solutions

Our pathfinder initiative contributes to the costs of exploring procurement through public-private partnerships. One successful pathfinder is the project to supply heat and power at the School of Oriental and African Studies. Pictured is Frank Dabell, Secretary of SOAS, discussing the scheme with Sarah Bone, project design engineer for Utilicom Ltd.

In January 2000 a consortium of five institutions of the University of London signed a 20-year agreement for a local combined heat and power scheme. The scheme was developed and operated by the Bloomsbury Heat and Power Company, a subsidiary of Utilicom. The scheme is designed to reduce operating costs, remove from the institutions any liability for the maintenance and replacement of ageing plant, reduce pollution, and generate income from third parties.

Linking with previous guidance on corporate planning and effective financial management, we are working with sector bodies to develop guidance on financial strategies. We expect to issue a draft for consultation in the autumn of 2001, followed by a series of workshops.

Guidance on operational aspects of management has included revised guidelines for institutions on setting up and working with related private companies; and good practice in the management of student administration, produced by the UK Value for Money Steering Group.

Through our Fund for the Development of Good Management Practice we are helping to accelerate the implementation of management improvements across the higher education sector. In the 2000-01 round of funding we have allocated £3.3 million to 24 projects.

Making the best use of resources

The two major resources for higher education are people, and buildings and facilities. In November 2000 we announced a new initiative to recruit, reward and develop staff, and to modernise the management of human resources. We expect to allocate £330 million over the three years from 2001-02. Institutions have submitted human resource strategies, setting out plans for spending these funds and target outcomes.

The funding will enable them to address a number of priorities, including problems in recruiting and retaining staff in specific areas; providing training so that staff can meet current and future needs in, for example, using IT for teaching; and developing programmes to improve equal opportunities.

We have long provided funds to help institutions improve poor estates. The awards made in March 2001 bring total funding under this initiative close to £300 million. Progress has also been made in implementing over 400 schemes under our project capital funding for teaching and research.

Musical moves

Trinity College of Music has been awarded £4 million through the HEFCE's fund to improve poor estates, enabling it to relocate from cramped premises on three different sites in central London to the Old Royal Naval College, Greenwich. Pictured are Trinity students rehearsing in the naval college chapel.

The move has also been supported by donations of over £2 million from the Jerwood Foundation, Michael Peacock Charitable Trust and others. The college will collaborate on some site services with the University of Greenwich, which is also based in the former naval college.

We are also continuing to develop standardised estates management information for institutions. This information, along with other resources, news, and discussion groups are all available on the higher education estates web-site, www.heestates.ac.uk, which receives around 10,000 hits a month.

Costing and pricing

During 2000-01 universities and colleges have made excellent progress in improving costing and pricing practices, and in meeting the external accountability and transparency requirements set out in the Transparency Review. The process has improved systems within the sector, and increased stakeholders' confidence in what the sector can deliver.

The Joint Costing and Pricing Steering Group (JCPSG) continues to promote improved costing to aid decision making. It has put further resources into the pricing element of its remit, helping institutions to secure the right price for the value delivered to customers.

Effective procurement

We support effective procurement through the Joint Procurement Policy and Strategy Group (JPPSG). Procurement is increasingly being done electronically. We are working through the JPPSG to facilitate the adoption of e-procurement in HE. The Procureweb site currently receives around 65,000 hits a month.

We have helped institutions adopt good procurement practices through our Joint Infrastructure Fund and Science Research Investment Fund. In both cases, co-operative procurement has secured significant savings. HEFCE support is available for institutions to explore value for money solutions through forms of public-private partnership (see case study).

Strategic aim

Promote effective financial management, accountability for the use of public funds, and *value for money*.

Learning from international experience

As the pace of global developments speeds up, so does the demand for information exchange and the transfer of knowledge. We continue to respond to this challenge in many ways, by learning from others, and by providing and accepting opportunities for the UK to develop its international partnerships.

In addition to extending our collaborative links, we have compared and shared policy interests, commissioned research, responded to requests for information and promoted the achievements and qualities of UK higher education abroad. Staff represented the Council at events overseas, and we received 242 visitors from 29 countries, including Ministers of Education.

Our international programmes have been extended and we are now working with partners in key countries around the world, including Brazil, China, India, Indonesia, Japan, South Africa, Thailand and the US. Many of our international partnerships are supported at the highest levels at home and abroad, and we continue to work with other national bodies, government departments, the British Council and senior staff in universities and colleges across the UK.

World class UK higher education

Graduate employment	87 per cent of UK graduates were employed or self-employed compared with 83 per cent on average for the 11 EC countries. Only graduates from Finland and Germany had as high a rate as the UK.*
Quality of HE experience	On virtually every one of 18 features of their courses, UK graduates rated their higher education substantially higher than their European and Japanese counterparts.*
Graduates	The UK has the highest proportion of university graduates among young people, at 35.6 per cent for degree courses of less than 5 years. The average rate for OECD countries is 19 per cent.†
Further training	The UK scores second only to Denmark for the highest rate of further training after university for those in employment.†

* Source: Centre for Higher Education Research and Information, 'The employment of UK graduates: comparisons with Europe and Japan'.

† Source: Organisation for Economic Co-operation and Development, 'Education at a glance 2001'.

Strategic aim

To contribute to the healthy development of higher education in this country and overseas by *learning from international experience*, and helping to promote the reputation of UK higher education abroad.

In addition to accompanying the then Secretary of State to China in June 2000, the HEFCE Chief Executive accompanied Baroness Blackstone on official visits to Japan, China and India, and Jacqui Smith MP to Argentina.

As part of our China programme we reviewed the electronic link between the UK electronic network, JANET, and its equivalent in China, CERNET. Other technology-related international initiatives include:

- working with France and Germany on a national e-languages development project to strengthen the linguistic skills of our students
- carrying out an international study on the impact of the internet on higher education
- undertaking, through the funding bodies' Joint Information Systems Committee, a wide range of research and development activities with the National Science Foundation and other bodies in the US, and in the future exploring how the UK infrastructure can be used to support a global research grid.

In the coming year we look forward to working with the OECD on an international comparative study on higher education management. We will continue to commission comparative studies to help benchmark the UK's performance and competitiveness. We are carrying out a study, following the Follett report, on collaboration between academic libraries in other countries.

Provide a high-quality service

We recognise that the quality of the service we provide to our stakeholders depends on a motivated and well-supported staff. We want to be counted among the best, practising what we preach by following good management practices and always seeking to improve.

We have completed an initial assessment against the Excellence Model of the European Foundation for Quality Management. Using the model as a framework, we have established priorities for developing the organisation, focusing on people, processes and information support. We shall continue with the work on maintaining the Investors in People standard, promoting our knowledge management strategy, and developing our e-business strategy in line with the modernising government agenda.

In all our activities, we aim to meet the highest standards of environmental management, thereby promoting good practice within the sector.

Work/life balance

The Cabinet Office awarded us beacon status for the development and implementation of our work/life balance policy. This provides a framework for activities such as workshops to help staff understand and deal with the effects of stress in work and in life. Our approach is based on mutual respect, rather than rigid rules and procedures.

We are taking a co-ordinated approach to implementing new policies. Both the work/life balance policy and our work with the excellence model have been integrated within our new pay and appraisal system for staff. Our 'enablers' competency framework reflects the principles underlying the excellence model, especially the themes of continuous improvement and learning.

Strategic aim

Enable our staff to *provide a high-quality service*, within an open and supportive working environment.

We recognise that the achievement of the Council's objectives depends on a motivated staff committed to continuous improvement in both themselves and the systems and processes they operate.

We believe that high quality well-supported people lead to innovation and high quality relationships with our stakeholders, and we will continue to invest in them.

Rewards for team effort

This year a team from the HEFCE took the opportunity to develop team working and project management skills at the same time as giving to the local community, by redecorating the entrance hall for a primary school in a deprived area. Pictured are members of the Finance Team with headteacher Les Fry (centre back) and children from the school council. Their work was supported by donations from Ikea and B&Q and was carried out in an environmentally friendly way, using recycled materials and paint low in volatile organic compounds. The school, parents and pupils were all delighted with the end result, as were the Finance Team, who felt the benefits of the day individually, as a team and for the school.

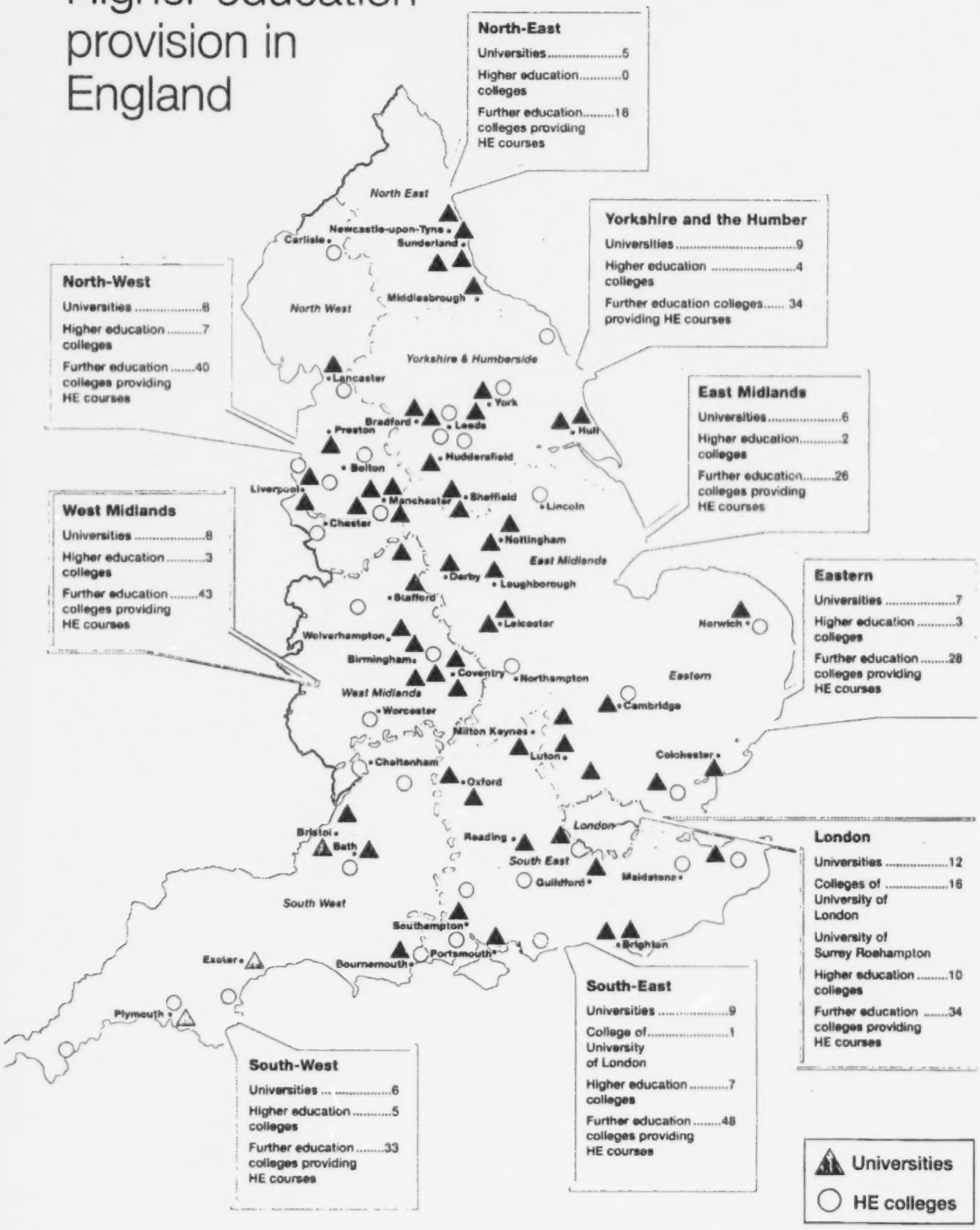
Progress towards key performance targets

Strategic aim	Targets	Outcomes
Develop and sustain effective partnerships with institutions, employers, other funding and professional bodies, and others with a stake in higher education, by providing clear and open information and promoting collaboration between them.	To achieve a ratio of overall satisfaction compared with dissatisfaction of at least 6:1, as measured by the customer satisfaction survey.	**Achieved.** An action plan has been agreed as a result of the survey, a statement of service standards is being prepared, and benchmarks have been set for future surveys.
Advise Government and other stakeholders on higher education's needs and aspirations, and help make widely known the achievements and opportunities offered by higher education, particularly to students.	By 2001, information services for HE will be significantly improved through the launch and further development of HERO.	**Achieved.** The HERO site became operational in December 2000.
Promote and support productive interaction between HE and business and the community in order to encourage the transfer of knowledge and expertise and enhance the relevance of programmes of teaching and research to the needs of employers and the economy.	At least 85 per cent of HEIs to have a strategy for building their capability to develop links with industry, and begin implementation of their action plans to deliver this in 2000-01. All institutions to be implementing their plans for enhancing the employability of their graduates, as stated in their learning and teaching strategies, in 2000-01. Use existing data sources to produce performance indicators for measuring student employability outcomes, to be published in 2000.	**Achieved.** Over 95 per cent of HEIs have a strategy, and will be implementing plans with HEROBC funding. **Achieved.** Research into teaching and learning strategies and employability was completed in December 2000, and formed the basis for good practice guidance. Indicator developed, and published in April 2001.
Promote high standards of education so as to advance knowledge and scholarship, encourage improvement, enterprise and innovation, and enhance students' learning experiences and employment prospects.	New quality assurance framework operational in England from 2002. Student numbers in 2000-01 to be within 2 per cent of the Secretary of State's target.	**On track.** Proposals for a revised approach published for consultation in July 2001, with QAA, Universities UK and SCOP. **Achieved.**
Promote high standards of research so as to advance knowledge and scholarship and encourage improvement, enterprise and innovation.	An improvement on average between RAE 2001 and the previous exercise in 1996, and an increase in staff in units rated 5*. Improve network provision to research users by enhancing bandwidth by 300 per cent by 2001.	Figures will be available in December 2001 after the submissions have been analysed. **Achieved.** SuperJANET 4 backbone was launched in April 2001.

The targets were published in our strategic plan for 2001-05 (HEFCE 00/22); progress is summarised as at 31 March 2001.

Strategic aim	Targets	Outcomes
Use consultation, research and benchmarking to increase knowledge and understanding of higher education, and inform policy development.	In 2000-01 to publish the second tranche of performance indicators.	**Achieved.** Published in October 2000.
Promote effective financial and human resource management, accountability for the use of public funds, and value for money.	By 2004, 75 per cent of all the sector's estate will be A or B (as new, or only minor deterioration).	**On track.** Data for 1998-99 shows 64 per cent of the estate in categories A and B.
	Development throughout the sector of a guidance manual to assist with consistent and transparent costing methodology, by summer 2000.	**Achieved.** Guidance published in August 2000.
	Initial reporting on total costs for teaching, research and other activities by summer 2001.	**Achieved.** Pilot universities reported on their costs for 1999-2000 in January 2001.
	Improved co-operative procurement arrangements in place by 2003.	**On track.** Approach established, and adviser being recruited.
	All HEIs have comprehensive equal opportunities policies and monitoring procedures by 2002.	**On track.** Equality Challenge Unit set up in January 2001.
Contribute to the healthy development of higher education in this country and overseas by learning from international experience, and helping to promote the reputation of UK higher education abroad.	Establish six collaborative programmes in strategic countries involving HEFCE and other appropriate national partners, by 2004.	**On track.** Programme agreed with China and Indonesia, and under discussion with France, Japan, Thailand and Australia.
Encourage institutions to increase access, secure equal opportunities, support lifelong learning, and maximise achievement for all who can benefit from higher education.	Participation by socio-economic groups currently under-represented in HE rises faster than growth in overall numbers, 1999 to 2004.	Data will be available through annual performance indicators.
	Effective incorporation of FECs providing HE within our funding and quality assurance methods.	**Achieved.** Parity of funding provided for FECs. Procedures for quality assurance agreed with the QAA.
Maintain and encourage the development of a wide variety of institutions, with a diversity of missions that build upon their local, regional, national and international strengths and are responsive to change, within a financially healthy sector.	Within eight weeks of an institution being identified as in immediate financial difficulties, to identify the problems and to agree action.	**Achieved.**
Enable our staff to provide a high-quality service, within an open and supportive working environment.	To be in the top 20 per cent of public sector organisations, as measured by the Excellence Model, by 2004.	**On track.** Assessment completed; three improvement projects in progress.
	All profiled grant payments paid in accordance with our published payments schedule, to 100 per cent accuracy over the planning period.	**Achieved.**
	Ninety-eight per cent of payments to suppliers to be within 30 days' receipt of a valid invoice.	**Achieved.**

Higher education provision in England



North-East

Universities.....5
Higher education colleges.....0
Further education colleges providing HE courses.....18

Yorkshire and the Humber

Universities.....9
Higher education colleges.....4
Further education colleges providing HE courses..... 34

North-West

Universities.....8
Higher education colleges.....7
Further education colleges providing HE courses.....40

East Midlands

Universities.....6
Higher education colleges.....2
Further education colleges providing HE courses.....26

West Midlands

Universities.....8
Higher education colleges.....3
Further education colleges providing HE courses.....43

Eastern

Universities.....7
Higher education colleges.....3
Further education colleges providing HE courses.....28

London

Universities.....12
Colleges of University of London.....16
University of Surrey Roehampton
Higher education colleges.....10
Further education colleges providing HE courses.....34

South-East

Universities.....9
College of University of London.....1
Higher education colleges.....7
Further education colleges providing HE courses.....48

South-West

Universities.....6
Higher education colleges.....5
Further education colleges providing HE courses.....33

Universities
HE colleges

Source: 'Regional profiles of higher education 2001', HEFCE 01/39.

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Recurrent grants for 2001-02 and students for 2000-01

These data are correct at July 2001

	Figures in £000s				Percentage change in resource[1] from 2000-01	Students[2]	
	Teaching grant	Research grant	Other allocations	Total grant		Full-time & sandwich	Part-time
Anglia Polytechnic University	35,153	369	964	36,487	5.9%	10,538	12,269
Aston University	16,558	3,802	300	20,660	5.2%	5,342	803
University of Bath	20,627	11,431	300	32,359	4.9%	7,031	2,786
Birkbeck College	17,393	5,322	122	22,836	7.2%	572	12,960
University of Birmingham	54,751	28,821	650	84,221	5.9%	17,358	6,691
Bournemouth University	21,843	195	279	22,317	5.8%	8,968	3,429
University of Bradford	21,571	6,308	150	28,029	3.0%	6,844	3,309
University of Brighton	27,424	2,266	639	30,329	5.0%	10,876	5,451
University of Bristol	44,065	25,033	300	69,398	5.1%	11,746	6,226
Brunel University	29,077	5,657	441	35,175	2.3%	9,554	2,791
University of Cambridge	52,918	64,820	8,051	125,789	2.5%	17,151	10,633
University of Central England in Birmingham	33,476	824	919	35,219	3.1%	11,491	8,893
University of Central Lancashire	43,570	769	575	44,914	5.2%	12,351	9,081
City University	14,696	5,191	635	20,522	7.1%	6,876	4,589
Coventry University	37,122	1,371	469	38,962	2.7%	11,635	4,384
De Montfort University	50,458	2,979	1,590	55,027	1.6%	16,808	5,796
University of Derby	23,087	452	593	24,133	2.3%	8,177	3,550
University of Durham	30,888	12,534	433	43,855	6.6%	10,755	2,594
University of East Anglia	16,458	10,018	203	26,680	3.3%	7,863	4,633
University of East London	28,747	1,223	641	30,611	0.5%	7,886	3,628
University of Essex	15,426	6,590	150	22,166	8.3%	5,902	1,645
University of Exeter	22,807	7,768	347	30,922	2.6%	8,706	3,032
Goldsmiths College	12,975	5,409	145	18,530	2.7%	4,559	1,890
University of Greenwich	36,737	3,552	465	40,755	2.9%	10,748	6,263
University of Hertfordshire	36,810	2,126	1,292	40,227	3.0%	13,191	5,305
University of Huddersfield	31,540	887	813	33,240	4.7%	10,920	6,243
University of Hull	26,091	6,269	284	32,644	5.3%	9,636	7,699
Imperial College of Science, Technology and Medicine	45,228	56,304	1,844	103,376	1.5%	9,793	1,109
Keele University	11,819	5,294	150	17,263	2.2%	5,226	4,116
University of Kent at Canterbury	22,805	5,677	150	28,633	5.4%	7,684	4,160
King's College London	54,185	38,108	555	92,849	4.4%	13,153	3,701
Kingston University	35,353	988	636	36,977	5.4%	11,235	3,244
Lancaster University	20,744	11,197	150	32,091	2.8%	7,592	5,483
University of Leeds	66,380	28,409	622	95,410	5.2%	22,071	6,095
Leeds Metropolitan University	42,496	984	590	44,070	6.4%	12,067	10,412
University of Leicester	26,158	12,772	300	39,231	2.7%	8,150	6,423
University of Lincoln	25,898	406	2,185	28,488	0.5%	6,788	5,219
University of Liverpool	49,146	20,445	346	69,937	4.5%	13,190	6,875
Liverpool John Moores University	44,198	2,199	785	47,182	3.0%	13,342	6,002
London Guildhall University	26,624	265	584	27,472	3.0%	7,900	4,943
Loughborough University	30,548	10,452	375	41,375	4.3%	10,037	1,190
University of Luton	19,117	103	3,094	22,314	0.5%	6,786	5,635
University of Manchester	56,256	33,008	411	89,675	3.6%	18,795	5,816

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	Figures in £000s				Percentage change in resource[1] from 2000-01	Students[2]	
	Teaching grant	Research grant	Other allocations	Total grant		Full-time & sandwich	Part-time
UMIST	18,491	13,491	505	32,486	2.0%	6,237	637
Manchester Metropolitan University	60,443	3,677	1,201	65,322	3.3%	19,676	9,060
Middlesex University	38,850	1,771	1,005	41,626	2.6%	16,733	8,399
University of Newcastle upon Tyne	42,672	21,503	459	64,634	5.4%	11,852	4,947
University of North London	30,616	991	471	32,077	3.4%	9,447	5,459
University of Northumbria at Newcastle	39,294	1,553	762	41,609	3.2%	14,124	4,800
University of Nottingham	45,572	24,536	484	70,592	9.0%	16,717	5,525
Nottingham Trent University	45,513	2,487	1,440	49,441	0.5%	16,109	6,302
Open University	130,433	7,173	300	137,906	8.9%	497	108,840
University of Oxford	51,078	64,960	6,965	123,003	2.4%	15,535	6,449
Oxford Brookes University	24,904	2,063	654	27,622	2.9%	9,960	4,647
University of Plymouth	49,834	2,828	760	53,422	4.8%	15,376	8,976
University of Portsmouth	37,072	3,660	597	41,330	3.4%	11,820	3,914
Queen Mary, University of London	34,989	14,047	150	49,186	5.0%	7,672	571
University of Reading	22,531	14,351	250	37,131	1.9%	9,125	4,220
Royal Holloway, University of London	14,464	6,847	127	21,438	3.2%	5,017	642
University of Salford	36,414	5,175	429	42,017	2.9%	12,193	4,617
University of Sheffield	47,808	26,705	558	75,071	5.0%	16,640	4,960
Sheffield Hallam University	49,619	3,106	668	53,393	2.4%	15,925	6,790
University of Southampton	42,541	24,878	341	67,760	7.0%	14,718	3,793
South Bank University	36,722	1,773	3,021	41,516	0.5%	10,940	7,006
Staffordshire University	37,256	905	784	38,945	4.3%	11,476	4,657
University of Sunderland	29,974	1,314	551	31,838	0.5%	8,556	3,048
University of Surrey	17,250	11,667	300	29,218	3.1%	6,546	4,905
University of Surrey Roehampton	12,730	1,084	395	14,210	2.6%	5,403	1,454
University of Sussex	20,559	12,371	300	33,230	2.5%	7,740	2,851
University of Teesside	28,188	296	449	28,933	9.8%	7,496	8,452
Thames Valley University	22,783	135	257	23,175	4.9%	6,952	8,563
University College London	53,472	64,289	1,004	118,765	2.4%	14,065	2,135
University of Warwick	25,601	17,929	298	43,828	5.8%	10,699	11,302
University of West of England, Bristol	41,740	2,062	666	44,469	2.5%	16,325	6,407
University of Westminster	43,076	2,134	490	45,699	3.1%	10,541	9,340
University of Wolverhampton	40,228	337	595	41,160	2.5%	12,685	8,876
University of York	17,343	12,409	336	30,088	5.0%	7,051	1,539
General colleges							
Bath Spa University College	7,967	374	201	8,542	4.6%	3,211	1,157
Bolton Institute of Higher Education	16,108	140	351	16,599	2.2%	3,365	3,072
Buckinghamshire Chilterns University College	15,470	681	207	16,358	2.6%	5,369	2,689
Canterbury Christ Church University College	11,252	372	148	11,773	15.4%	5,220	4,737
Cheltenham and Gloucester College of Higher Education	16,677	720	353	17,750	2.9%	5,920	2,274
Chester College of Higher Education	7,352	8	141	7,501	13.5%	4,477	2,523
University College Chichester	6,081	190	159	6,430	2.5%	2,721	1,748
Edge Hill College of Higher Education	8,723	149	181	9,052	5.6%	4,914	3,688
King Alfred's College, Winchester	4,968	67	104	5,139	6.3%	2,972	2,150
Liverpool Hope	9,530	41	125	9,697	4.0%	4,297	1,388
University College Northampton	17,825	107	276	18,207	0.8%	6,594	3,580
College of Ripon & York St John	6,733	25	157	6,915	7.8%	3,251	1,162
St Mary's College	4,888	68	65	5,021	2.6%	2,236	713
Southampton Institute	27,411	281	277	27,969	2.4%	8,558	2,061
University College Worcester	6,151	160	149	6,460	2.2%	3,314	1,972

	Figures in £000s				Percentage change in resource[1] from 2000-01	Students[2]	
	Teaching grant	Research grant	Other allocations	Total grant		Full-time & sandwich	Part-time
Specialist institutions							
Bishop Grosseteste College	379	0	0	379	2.9%	791	165
Arts Institute at Bournemouth	2,900	0	0	2,900	18.8%	819	145
Institute of Cancer Research	524	9,760	75	10,359	11.1%	89	312
Central School of Speech and Drama	3,084	36	114	3,234	2.6%	564	34
Cranfield University	10,211	7,740	690	18,641	2.4%	2,303	873
Cumbria College of Art & Design	2,711	7	99	2,817	10.6%	738	17
Conservatoire for Dance and Drama	3,015	0	0	3,015	905.0%	300	0
Dartington College of Arts	2,185	93	108	2,386	2.5%	378	64
Institute of Education	3,532	4,819	0	8,351	1.5%	1,395	2,426
Falmouth College of Arts	4,050	328	75	4,453	4.4%	1,306	120
Harper Adams University College	7,568	253	177	7,998	11.7%	1,537	121
Kent Institute of Art & Design	5,594	91	102	5,787	2.8%	1,781	144
University of London – Institutes and Activities	2,244	1,728	5,679	9,652	2.6%	535	179
London Business School	635	2,223	75	2,932	0.6%	753	450
London School of Economics and Political Science	7,183	9,587	456	17,226	0.5%	5,815	783
London School of Hygiene & Tropical Medicine	2,880	5,986	0	8,866	4.8%	587	219
The London Institute	27,612	2,006	239	29,857	3.6%	8,409	1,337
Newman College	1,412	12	125	1,549	8.9%	1,087	557
Northern School of Contemporary Dance	1,042	0	0	1,042	10.8%	133	0
Norwich School of Art & Design	2,282	128	16	2,426	3.2%	636	41
School of Oriental and African Studies	5,760	3,948	1,124	10,832	2.1%	2,835	402
School of Pharmacy	2,838	1,840	0	4,678	1.5%	622	319
Ravensbourne College of Design and Communication	3,422	0	150	3,572	11.6%	676	4
RCN Institute	1,051	339	0	1,389	1.8%	1	888
Rose Bruford College	2,702	0	0	2,702	2.7%	550	280
Royal Academy of Music	3,449	481	0	3,930	1.9%	590	0
Royal Agricultural College	2,388	1	0	2,388	0.0%	469	32
Royal College of Art	8,903	1,480	75	10,458	1.4%	766	55
Royal College of Music	3,507	434	75	4,016	7.2%	540	16
Royal Northern College of Music	4,154	371	75	4,600	8.6%	587	0
Royal Veterinary College	8,428	2,506	150	11,084	9.1%	772	91
St George's Hospital Medical School	9,413	4,065	0	13,478	9.7%	1,293	2,094
College of St Mark & St John	2,878	31	194	3,104	2.2%	2,412	1,386
St Martin's College	7,290	9	235	7,534	11.2%	4,389	4,779
The Surrey Institute of Art & Design, University College	8,606	27	280	8,913	9.9%	2,447	105
Trinity & All Saints	3,996	23	56	4,075	2.5%	2,143	286
Trinity College of Music	2,769	0	75	2,844	2.4%	481	50
Wimbledon School of Art	2,007	1,244	14	3,265	6.8%	479	92
Writtle College	4,215	9	28	4,253	2.5%	977	244
FE colleges funded by HEFCE	**137,710**	**0**	**495**	**138,205**	**6.7%**	**31,313**	**37,306**
Total[3]	**3,152,950**	**688,092**	**76,049**	**4,117,090**	**4.2%[4]**	**969,858**	**602,409**

[1] Resource = HEFCE grant plus an assumed income from tuition fees.

[2] Student numbers are headcounts, based on data supplied by institutions, and include all home, EC and overseas students.

[3] These figures do not necessarily add up to the totals shown, due to rounding.

[4] Includes support for expansion of student numbers.

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Funding and finance

We will be distributing £4.8 billion of funding during 2001-02 to support teaching, research and related activities.

A total of £3,162 million is available for teaching. Within this we have maintained the unit of funding for teaching in real terms. We have provided £78 million to fund 31,900 additional full-time equivalent places for 2001-02, covering increases in intakes to medical schools, funding for prototype foundation degrees, and funding for diversification out of initial teacher training. £36 million has been earmarked for widening access and participation. This recognises the additional costs of recruiting and supporting students from disadvantaged groups that are under-represented in higher education, as well as the additional costs of recruiting and supporting disabled students.

We have also maintained research funding in real terms. Of the total funding for research, £868 million is quality related (distributed according to ratings in the Research Assessment Exercise) and £20 million is allocated as generic research funding, to encourage collaboration with users of research where the institution retains the publication and intellectual property rights.

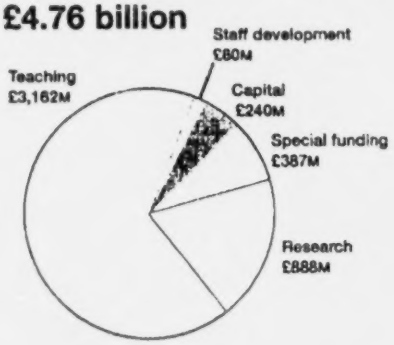
Special and capital funding

Special funding of £387 million includes support for strategic areas, such as learning and teaching strategies, regional collaboration on widening participation, and closer links between higher education and business and the community. Funding is also provided for key national facilities, such as the Joint Information Systems Committee and the Arts and Humanities Research Board, and for inherited activities.

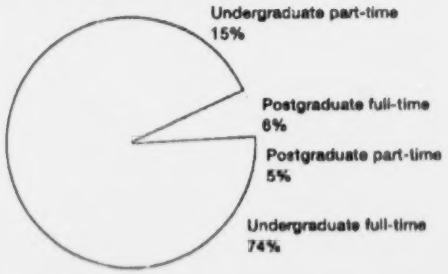
In addition, we have allocated £80 million (out of £330 million over three years) for rewarding, retaining and developing staff in higher education. These funds are conditional on the provision of human resource strategies.

Earmarked capital funding totals £256 million for 2001-02 and includes contributions to the capital costs of setting up the e-Universities project, the development of SuperJANET 4 (the electronic network linking all universities and colleges), new and expanded medical schools, and projects to address past under-investment in the sector's infrastructure.

In 2001-02 HEFCE will distribute £4.76 billion



For 936,000 students*



* Funded full-time equivalents for 2000-01, from data surveys in December 2000.

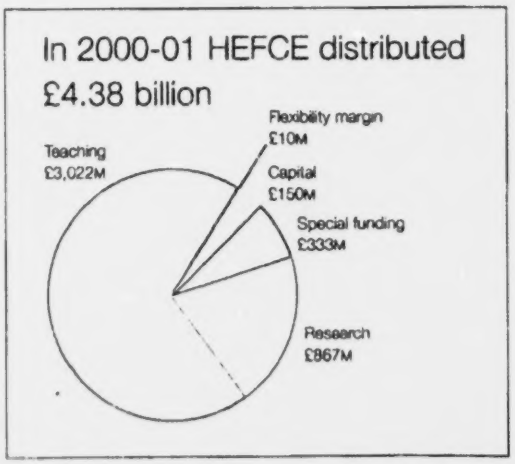
In 333 institutions

77 universities

15 general HE colleges

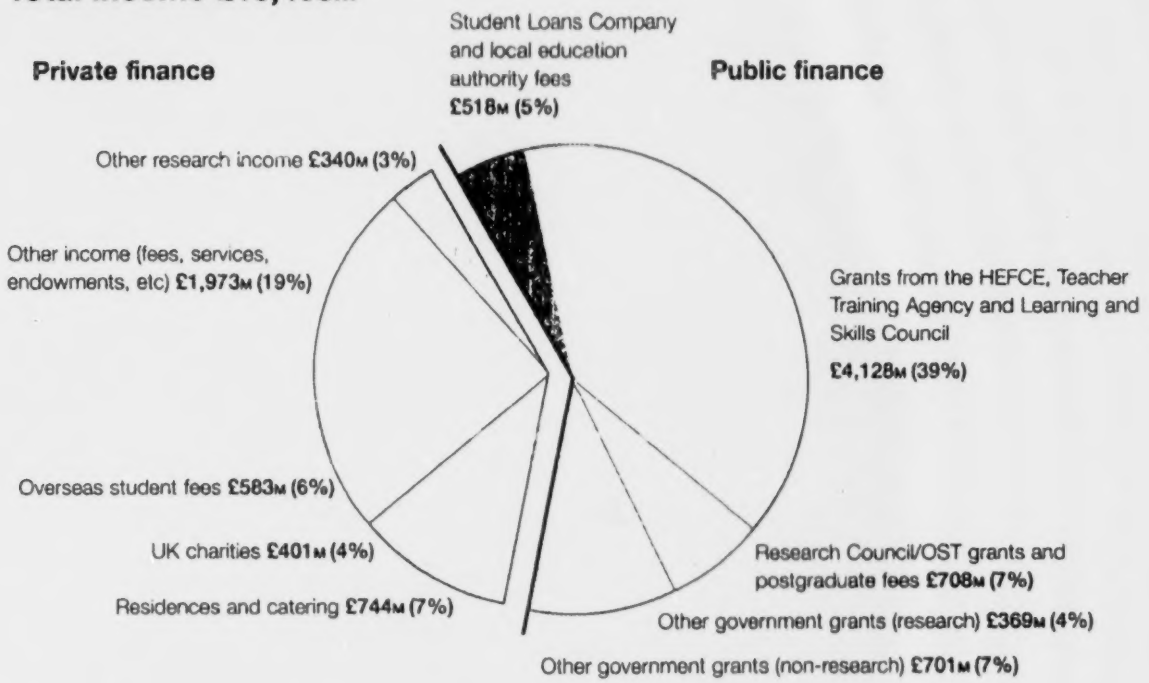
39 specialist HE colleges

202 further education colleges providing HE courses



Sources of finance for universities and colleges, 1999-2000

Total income £10,465M


Private finance
Public finance
Student Loans Company and local education authority fees £518M (5%)
Other research income £340M (3%)
Other income (fees, services, endowments, etc) £1,973M (19%)
Grants from the HEFCE, Teacher Training Agency and Learning and Skills Council £4,128M (39%)
Overseas student fees £583M (6%)
UK charities £401M (4%)
Residences and catering £744M (7%)
Research Council/OST grants and postgraduate fees £708M (7%)
Other government grants (research) £369M (4%)
Other government grants (non-research) £701M (7%)

Source: HESA finance record, 1999-2000, for English higher education institutions.

Financial trends for the HEFCE

		1995-96	1996-97	1997-98	1998-99	1999-2000	**2000-01**
		£000s	£000s	£000s	£000s	£000s	**£000s**
Income							
Government grants		3,635,873	3,469,378	3,531,709	3,580,149	4,187,183	**4,432,020**
Other income[1]		5,143	5,195	5,214	5,883	4,629	**20,750**
		3,641,016	3,474,573	3,536,923	3,586,032	4,191,812	**4,452,770**
Expenditure							
Grants to institutions		3,593,027	3,452,652	3,502,659	3,534,218	4,066,810	**4,356,369**
Access Funds grant[2]		21,693	21,693	21,710	38,830	80,516	**92,465**
Running costs:	Salary	5,127	5,332	5,059	5,134	6,049	**6,898**
	Other	7,787	8,255	5,162	4,833	6,546	**6,380**
Appropriations, interest and charges		398	49	107	149	24,578	**24,096**
		3,628,032	3,487,981	3,534,697	3,583,164	4,184,499	**4,486,208**
Surplus/(deficit) for the year		**12,984**	**(13,408)**	**2,226**	**2,868**	**7,313**	**(33,438)**

[1] Includes contributions from other funding bodies for joint activities and initiatives.

[2] Access Funds help students whose access to HE might be inhibited by financial considerations, or who face financial difficulties during their course.

Income and expenditure account for the year to 31 March 2001

		Year ended 31 March 2001 £000s	Year ended 31 March 2000 £000s
Income			
Government grants	Programmes	4,327,554	4,093,926
	Running costs	12,027	11,483
	Other grant income	92,120	81,535
		4,431,701	4,186,944
Transfer from deferred Government grant		319	239
Other income	Programmes	19,722	3,759
	Running costs	1,028	836
	Other operating income	0	34
		20,750	4,629
Total income		4,452,770	4,191,812
Expenditure			
Grants paid	Recurrent	4,356,369	4,066,810
	Access Funds	92,465	80,516
		4,448,834	4,147,326
Council administration		13,278	12,595
Total expenditure		4,462,112	4,159,921
Operating surplus/(deficit) before interest and charges		(9,342)	31,891
Appropriations to DfEE (now DfES)		0	(34)
Unwinding of discount		(24,096)	(24,544)
Surplus/(deficit) for the period		(33,438)	7,313

Balance sheet as at 31 March 2001

		Year ended 31 March 2001 £000s	Year ended 31 March 2000 £000s
Fixed assets		309	241
Current assets	Loans to institutions	8,773	2,595
	Debtors	6,700	3,796
	Cash at bank	7,055	44,422
		22,528	50,813
Current liabilities		(13,727)	(639)
Net current assets		8,801	50,174
Provisions for liabilities and charges		(393,696)	(401,600)
		(384,586)	(351,185)
Represented by	Deferred Government grant	309	270
	Revaluation reserve	0	1
	General reserve	(384,895)	(351,456)
		(384,586)	(351,185)

Analysis of HEFCE administration costs for the year to 31 March 2001

	Year ended 31 March 2001 £000s	Year ended 31 March 2000 £000s
Staff costs (see below)	6,898	6,049
Agency costs	285	346
Audit fee	28	30
Board members	55	58
Committee members and advisers	650	894
Consultancy fees	195	118
Depreciation	274	239
General administrative expenses	2,010	2,133
Premises	1,999	1,866
Staff travel and subsistence	884	862
	13,278	12,595

Staff costs for the year to 31 March 2001

	Year ended 31 March 2001	Year ended 31 March 2000
Average number of staff employed	240	201
	£000s	£000s
Staff salaries	5,659	4,960
Staff social security	475	420
Staff pension costs	764	669
Total staff costs	6,898	6,049
Salary and benefits of the Chairman	38	38
Salary and benefits of the Chief Executive, including pension contributions	150	144

HEFCE Board 2000-01

Chairman
Sir Michael Checkland

Chief Executive
Sir Brian Fender

Members

Mr Anthony Booth CBE
Chairman, Ericsson Ltd

Dr David Potter CBE
Chairman and Chief Executive, Psion plc

Mr Stephen Bundred
Chief Executive, London Borough of Camden

Professor Sir Gareth Roberts
Vice-Chancellor, University of Sheffield

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(to September 2000)

Professor Peter Scott
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(from 1 December 2000)

Professor Ron Cooke
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Ms Barbara Stephens
Chief Executive, Local Government Commission for England

Mr Richard Coldwell
Consultant to National Grid Company plc
(from 1 December 2000)

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Ms Caroline Neville
Principal, Norwich City College of Further and Higher Education

Dr John Taylor OBE
Director General, Research Councils

Ms Dorma Urwin
Principal, University College Worcester

Assessor

Mr Nick Sanders
Department for Education and Employment (now the Department for Education and Skills)

Observers

Mr Steve Martin
Chief Executive, Higher Education Funding Council for Wales
(from May 2000)

Mr John Coote
Department of Higher and Further Education Training and Employment, Northern Ireland (now the Department for Employment and Learning)

Professor David Melville
Chief Executive, Further Education Funding Council

Mr Mike Mercer
Teacher Training Agency

Professor John Sizer
Chief Executive, Scottish Higher Education Funding Council

Members' interests

A register of Board members' interests is maintained, and is available for inspection on request.

Complaints against the HEFCE

During the year, the Board's Complaints Panel considered one complaint against the HEFCE, which was not upheld.

HEFCE strategic and standing committees 2000-01

Audit Committee

Chair

Mr Anthony Booth, CBE*

Chairman, Ericsson Ltd

Members

Ms Mollie Bickerstaff
Director of Secretariat, Greater London Authority (from July 2000)

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Ms Sandra Burslem
Vice-Chancellor, Manchester Metropolitan University

Ms Barbara Stephens*
Chief Executive, Local Government Commission for England (from November 2000)

Business and the Community Committee

Chair

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Members

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Director of Policy, HEFCE

Professor Martin Cave
Pro Vice-Chancellor, Brunel University

Ms Judith Evans
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Sir Brian Fender
Chief Executive, HEFCE

Professor Frank Hartley
Vice-Chancellor, Cranfield University

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Director, Amadeus Capital Partners Ltd

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Chief Executive, 3i Group plc

Mr Kingsley Manning
Managing Director, Newchurch & Co

Dr Tony Marchington
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Mr David Triesman
General Secretary, Association of University Teachers

Dr Anne Wright
Chief Executive, Ufi learndirect

Equal Opportunities Access and Lifelong Learning (EQUALL) Committee

Chair

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Principal, University College Worcester (from March 2000)

Members

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Director of Policy, HEFCE

Ms Jane Drabble
Former Director of Education, BBC, freelance consultant

Professor Bob Fryer
Director, University of Southampton, New College

Ms Harinder Lawley
Head of Access, University of North London

Professor Stephen McNair
Head of the School of Educational Studies, University of Surrey

Dr Timothy Mead
Registry, University of Cambridge

Professor Tim O'Shea
Master, Birkbeck College

Ms Barbara Stephens*
Chief Executive, Local Government Commission for England

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Principal, Knowsley Community College

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Principal, Bolton College of Higher Education

Joint Advisory Committee on Church Colleges (with the Teacher Training Agency)

Chair

Rt Revd Vincent Malone
Auxiliary Bishop of Liverpool

Members

Professor Eileen Baker
Principal, Bishop Grosseteste College

Mr Mike Flynn
Headmaster, All Hallows RC High School, Penwortham, Lancashire

Canon John Hall,
General Synod Board of Education

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Director of the English Subject Centre, Royal Holloway, University of London

Dr Arthur Naylor
Principal, St Mary's College

Dr John Rea
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TTA representative

Mr Graham Russell
Board of Management for Methodist Residential Schools

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Bishop of Dover

Professor Tim Wheeler
Principal, Chester College of Higher Education

* HEFCE Board member

Joint Information Systems Committee (jointly with other UK funding bodies)

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Members

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Mr Phil Brady
Director of Information Services, University of Wales Bangor

Mr Reg Carr
Director of University Library Services and Bodley's Librarian, Oxford University

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Mr Huw Evans
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Mrs Annette Haworth
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Mr David House
Deputy Director, University of Brighton

Professor Roger King
Adjunct Professor at Queensland University of Technology

Professor Terry Mayes
Head of Department of Learning and Educational Development, Glasgow Caledonian University

Mr John McCann
Senior Assistant Principal, Glenrothes College (from May 2000)

Mr Fred McCrindle
Principal, Reading College

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Chairman, National Computer Centre

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Joint Medical Advisory Committee (jointly with other UK funding bodies)

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Professor of Clinical Pharmacology, University of Liverpool

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Mr Alexander Cumming
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Department of General Practice, University of Birmingham

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Clinical Gerontology Unit, University of Cambridge

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Vice-Chancellor, University of Bradford

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Professor Roger King
Adjunct Professor at Queensland University of Technology

* HEFCE Board member

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Chief Executive, Quality Assurance Agency for Higher Education

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Department of Italian Studies, University of Reading

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Professor of Electronics, University of York

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Mr Stephen Marston
Director for Institutions, HEFCE

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Remuneration Committee

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Chief Executive, London Borough of Camden

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Principal and Vice-Chancellor, University of Edinburgh

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Principal, Bishop Grossesteste College (from August 2000)

Mrs Joan Bingley
Chartered Secretary in Public Practice

Mr Dick Coldwell*
Consultant to National Grid Company plc

Mr Tony Evans
Headmaster, King's College School, Wimbledon

Professor Roderick Floud
Provost, London Guildhall University

Professor Alan Livingston
Principal, Falmouth College of Arts (from August 2000)

Ms Caroline Neville*
Principal, Norwich City College of Further and Higher Education

Dr David Potter*
Chairman and Chief Executive, Psion plc

Reverend Doctor Richard Ralph
Principal, Westminster College, Oxford (until July 2000)

Mr David Ritchie
Regional Director, Government Office for the West Midlands (until December 2000)

Professor John Tarrant
Vice-Chancellor, University of Huddersfield

Professor Norman Taylor
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Professor David VanderLinde
Vice-Chancellor, University of Bath (from December 2000)

Mr James Wright
Vice-Chancellor, University of Newcastle upon Tyne (until December 2000)

Strategic Committee for Research

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Vice-Chancellor, University of Sheffield

Members

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Director of Policy, HEFCE

Professor Ivor Crewe
Vice-Chancellor, University of Essex

Dr Graham Davies
General Manager, Technology Acquisition, BT Laboratories

Professor Eric Fernie
Director, Courtauld Institute of Art

Professor Julia Higgins
Department of Chemical Engineering, Imperial College of Science, Technology and Medicine

Dr Trevor Hince
Scientific Director, Cancer Research Campaign

Professor Stephen Newstead
Department of Psychology, University of Plymouth

Dr John Taylor*
Director General, Research Councils

* HEFCE Board member

Further information

Abbreviations

AHRB	Arts and Humanities Research Board
DfES	Department for Education and Skills (formerly the Department for Education and Employment)
FE	Further education
Funding bodies	The four bodies responsible for distributing public money for higher education in the UK
HE	Higher education
HEI	Higher education institution
HERO	Higher Education and Research Opportunities (internet portal)
HEROBC	Higher Education Reach-out to Business and the Community Fund
HESA	Higher Education Statistics Agency
ILT	Institute for Learning and Teaching
JANET	Joint Academic Network
LTSN	Learning and Teaching Support Network
OECD	Organisation for Economic Co-operation and Development
OST	Office of Science and Technology
QAA	Quality Assurance Agency for Higher Education
RAE	Research Assessment Exercise
Research Councils	The six bodies responsible for distributing public money from the Office of Science and Technology for different aspects of scientific, medical, and economic and social research
SCOP	Standing Conference of Principals
TQEF	Teaching Quality Enhancement Fund

Conventions for financial information

The academic year covers the period 1 August to 31 July. The financial year runs from 1 April to 31 March.

Figures have been rounded where appropriate. Financial and numerical data were correct at July 2001 but may be subject to change.

The full accounts of the HEFCE are published on our web-site www.hefce.ac.uk under 'About Us'. Printed copies are available from The Stationery Office.

Publications

- 'Funding higher education in England: how the HEFCE allocates its funds' (HEFCE 01/14)
- 'HEFCE strategic plan 2001-06' (HEFCE 01/43)
- 'A guide to the 2001 Research Assessment Exercise' (available from the RAE Team at the HEFCE)
- 'Guide for members of governing bodies of universities and colleges in England, Wales and Northern Ireland' (HEFCE 01/20)

Web-sites

- HEFCE (includes more information on our work, HEFCE publications, and links to other related organisations): www.hefce.ac.uk
- Department for Education and Skills: www.dfes.gov.uk
- HERO: www.hero.ac.uk
- Research Councils: www.research-councils.ac.uk
- Arts and Humanities Research Board: www.ahrb.ac.uk
- Learning and Skills Council: www.lsc.gov.uk

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Higher Education Funding Council for England

Annual report 2000-01
Making connections

Address
HEFCE
Northavon House
Coldharbour Lane
BRISTOL
BS16 1QD

Telephone
0117 931 7317

Fax
0117 931 7203

e-mail
hefce@hefce.ac.uk

web
www.hefce.ac.uk

Higher Education Funding Council for England
Northavon House
Coldharbour Lane
BRISTOL
BS16 1QD

tel 0117 931 7317
fax 0117 931 7203
www.hefce.ac.uk

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